

2020 Issue 2

From January 6 to January 10

Brexit became a foregone conclusion; new issuance of real estate companies thrived

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Date: January 17, 2020

Headline: Brexit became a foregone conclusion; all-sided trade negotiations will face challenges

On January 9, British Prime Minister Boris Johnson's Brexit Bill passed its Third Reading in the House of Commons by 330 votes to 231, signaling an end to more than three tumultuous years of disputes and uncertainties around Brexit. Britain will enter an 11-month transition period after officially ending its EU membership on January 31. From the current point of view, there is a risk that a comprehensive UK-EU trade deal cannot be reached.

Exchange Rate: RMB exchange rate declined

Recently, the RMB exchange rate has experienced rapid appreciation against the USD. As of January 10, the intermediate price of the RMB exchange rate closed at 6.9351, down 330bp from last Friday.

Interest Rate: China Government Bond yields fell sharply; US Treasury yields rose

This week, China Government Bond yields fell sharply after rebounding last week. During this week, after December's ISM non-manufacturing index came in at 55.0, versus 54.3 expected, US Treasury yields rose. As of January 10, the yield spread between China and US 10-year note was 126.2bp, decreasing by 9.2bp from last Friday and widening by 4.3bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: new issuance of Chinese offshore bonds thrived; weekly new issuance of real estate corporations approached to USD 8 billion**

After the New Year holiday, there was an upturning new issuance in the Chinese offshore bond market. From January 6 to January 10, there were 31 new issues with a total issued volume of USD13.1 billion, of which real estate companies were the key issuers with an issued volume of USD8.3 billion, occupying 63.12% of the total issuance.

Secondary Market: Return on investment grade bonds and high-yield bonds rose

As of January 10, 2020, the YTD return on Chinese USD corporate bond index since 2019 rose by 14bp over last week to 10.64%, of which investment grade bond index was 9.62% and high-yield bond index was 13.14%, increasing by 5bp and 33bp over last week, respectively.

Panda Bond Market: Yuexiu Transport and Daimler International issued 2 panda bonds this week

On January 9, Daimler International Finance BV ("Daimler International") issued 2020 Private Placement Note (Series I) through Bond Connect in China's Interbank Market, at a coupon rate of 3.50%, with a tenor of 2 years, raising RMB3 billion.

On January 10, Yuexiu Transport Infrastructure Limited ("Yuexiu Transport") issued 2020 Medium Term Note (Series I) in China's Interbank Market, at a coupon rate of 3.47%, with a tenor of 3 years, raising RMB1 billion. CCXI assigned AAA to both the bond and the issuer.

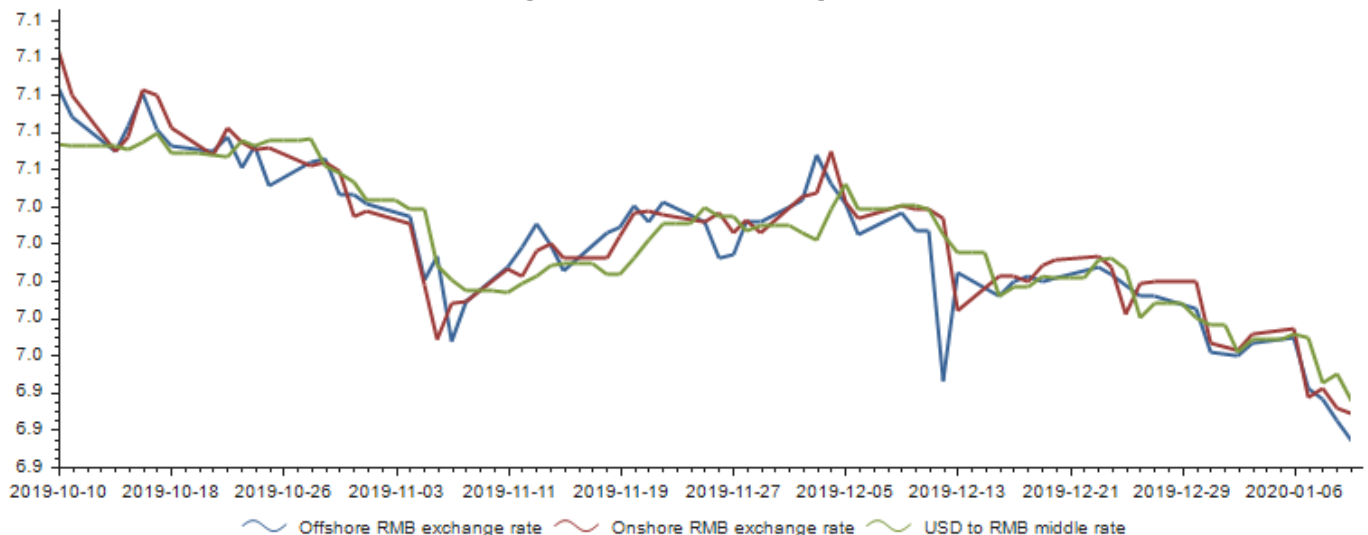
Headline: Brexit became a foregone conclusion; all-sided trade negotiations will face challenges

On January 9, British Prime Minister Boris Johnson’s Brexit Bill passed its Third Reading in the House of Commons by 330 votes to 231, signaling an end to more than three tumultuous years of disputes and uncertainties around Brexit. Britain will enter an 11-month transition period after officially ending its EU membership on January 31. Trade negotiations will cover many aspects such as standards, security, data exchange, fisheries, financial services and research. As the EU is British largest trading partner, making up 49% of total UK trade in 2018, trade negotiations will undoubtedly exert a tremendous impact on the UK economy. From the current point of view, there is a risk that a comprehensive UK-EU trade deal cannot be reached. On the one hand, the two sides have different priority areas for negotiation. The UK will focus on financial services, automotive industry, chemicals, pharmaceuticals, and agricultural trade, while the EU pay more attention to fair trade rules and whether the EU members can continue fishing in British waters. On the other hand, in terms of industry rules such as financial services, the UK is more willing to maintain its existing advantages. Johnson wants a trade deal similar to that of Canada by the end of 2020, and the European Commission expressed that it was impossible.

Exchange Rate: RMB exchange rate declined

Recently, given the weaker US dollar index and the increasing demand for RMB assets, the RMB exchange rate has experienced rapid appreciation against the USD since 2020. As of January 10, the intermediate price of the RMB exchange rate closed at 6.9351, down 330bp from last Friday. Onshore and offshore RMB exchange rate declined 426bp and 524bp, closing at 6.9290 and 6.9143, respectively. On January 13, the US reversed its decision to label China a currency manipulator.

Figure 1 : RMB Exchange Rate

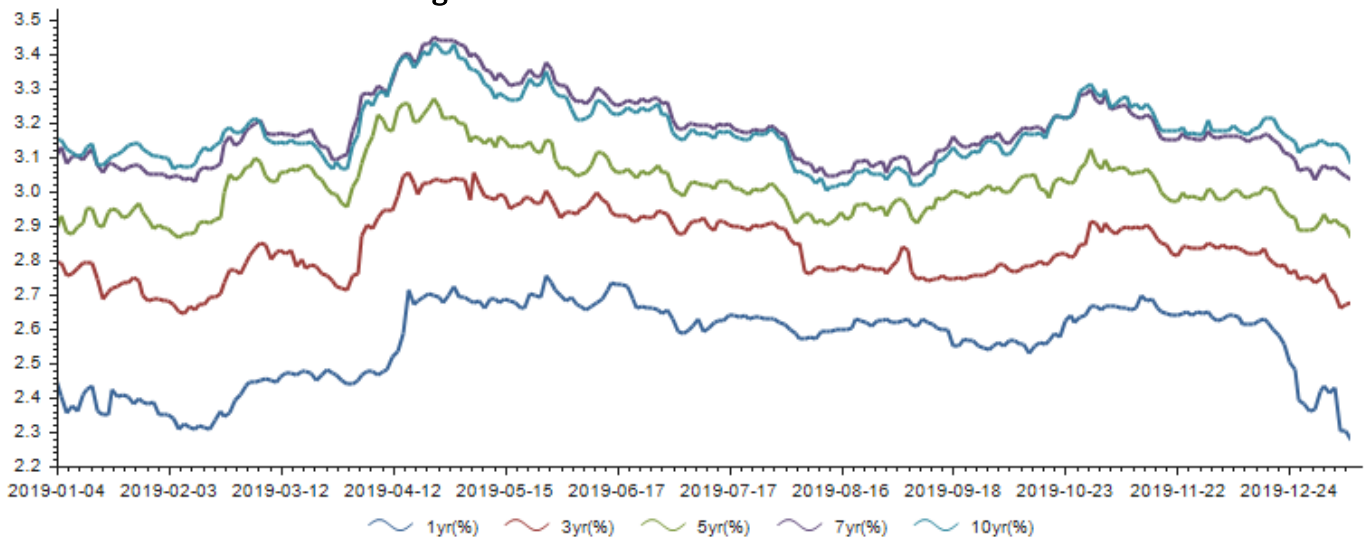


Sources: Eastmoney, CCX research

Interest Rate: China Government Bond yields fell sharply; US Treasury yields rose

This week, China Government Bond yields fell sharply after rebounding last week. With stronger RMB exchange rate and the growth of capital inflow, there is more space for domestic monetary easing policy, which is beneficial to China's bond market. As of January 10, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yield rebounded from last Friday, closing at 2.2744%, 2.6776%, 2.8643%, 3.0326% and 3.0819%% respectively.

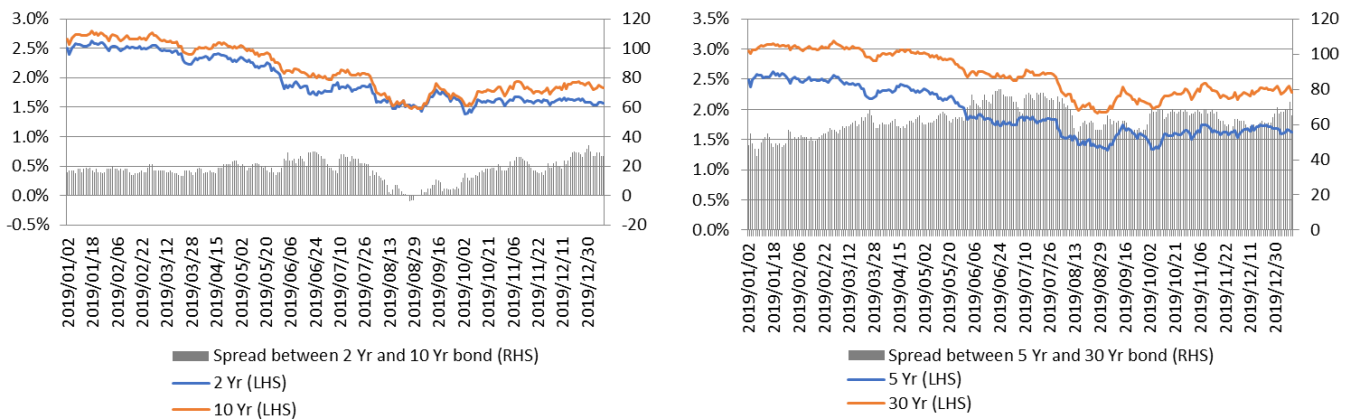
Figure 2 : China Government Bond Yields



Sources: Eastmoney, CCX research

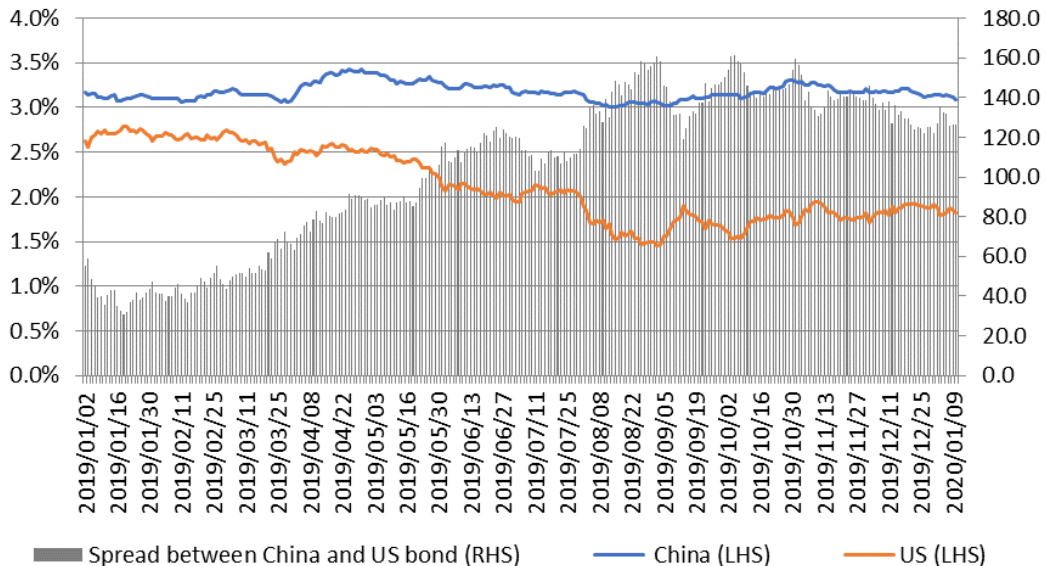
During this week, after December's ISM non-manufacturing index came in at 55.0, versus 54.3 expected, US Treasury yields rose. As of January 10, the 2-year, 5-year, 10-year and 30-year Treasury yields closed at 1.56%, 1.63%, 1.83% and 2.28%, increasing by 3bp, 4bp, 3bp and 2bp over last Friday. In terms of Treasury yield spreads, the spread between the 2-year and 10-year was stable at 27bp, while the spread between the 5-year and 30-year narrowed by 2bp to 65bp from last Friday. As of January 10, the yield spread between China and US 10-year note was 126.2bp, decreasing by 9.2bp from last Friday and widening by 4.3bp from the beginning of the year.

Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

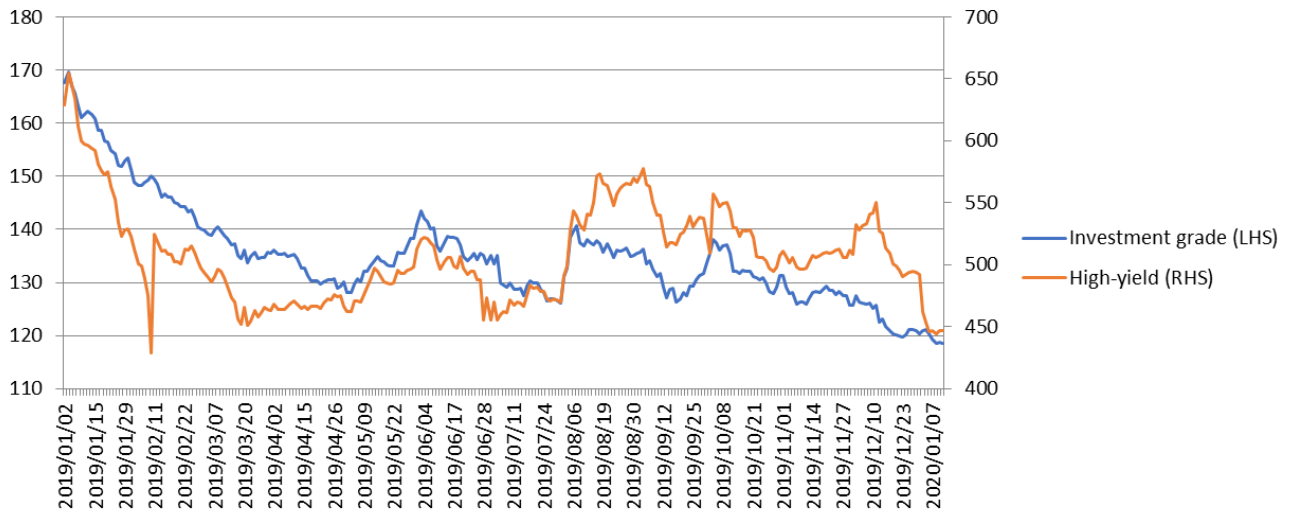
Figure 4 : Spread between China and US 10-year bond



Sources: Bloomberg, ChinaBond.com.cn, CCX research

The credit spread of Barclays Asia USD investment bond and high-yield bond kept decreasing. As of January 10, investment-grade bond spreads narrowed by 2.6bp to 119bp from last week, and high-yield spreads narrowed by 7.5bp to 446bp from last week.

Figure 5 : Credit spread of investment grade bond and high-yield bond index



Sources: Bloomberg, CCX research

Chinese Offshore Bond Market

Primary Market: new issuance of Chinese offshore bonds thrived; weekly new issuance of real estate corporations approached to USD 8 billion

After the New Year holiday, there was an upturning new issuance in the Chinese offshore bond market. From January 6 to January 10, there were 31 new issues with a total issued volume of USD13.1 billion, of which real estate companies were the key issuers with an issued volume of USD8.3 billion, occupying 63.12% of the total issuance.

Table 1 : New issuance of Chinese offshore bonds (20200106-20200110)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/1/6	Fantasia Holdings Group Co Ltd	USD	450	10.875	2023/1/9	3.0	Real Estate	B2/B/B+	-/B/B+
2020/1/6	Golden Wheel Tiandi Holdings Co Ltd	USD	200	12.95	2022/3/14	2.2	Real Estate	B2/-/B	B2/-/-
2020/1/6	KWG Group Holdings Ltd	USD	300	7.4	2027/1/13	7.0	Real Estate	B1/B+/BB-	-/-/BB-
2020/1/6	Longfor Group Holdings Ltd	USD	250	3.375	2027/4/13	7.2	Real Estate	Baa3/BBB/BBB	Baa3/BBB-/BBB
2020/1/6	Longfor Group Holdings Ltd	USD	400	3.85	2032/1/13	12.0	Real Estate	Baa3/BBB/BBB	Baa3/BBB-/BBB
2020/1/6	Yuzhou Properties Co Ltd	USD	645	7.375	2026/1/13	6.0	Real Estate	Ba3/BB-/BB-	B1/-/BB-e
2020/1/7	Beijing Capital Group Co Ltd	USD	450	3.85	2025/7/14	5.5	Real Estate	Baa3/BBB-/BBB	-/-/BBBe
2020/1/7	CIFI Holdings Group Co Ltd	USD	567	6	2025/7/16	5.5	Real Estate	Ba3/BB/BB	-/BB-/BB
2020/1/7	Country Garden Holdings Co Ltd	USD	550	5.125	2027/1/14	7.0	Real Estate	Ba1/BB+/BBB-	-/-/BBB-e
2020/1/7	Country Garden Holdings Co Ltd	USD	450	5.625	2030/1/14	10.0	Real Estate	Ba1/BB+/BBB-	-/-/BBB-e
2020/1/7	Guotai Junan International Holdings Ltd	HKD	33	2.5	2020/3/31	81D	Financials	Baa2/BBB+/-	-/-/-
2020/1/7	JD.com Inc	USD	700	3.375	2030/1/14	10.0	Consumer Discretionary	Baa2/BBB/-	Baa2/BBB/-
2020/1/7	JD.com Inc	USD	300	4.125	2050/1/14	30.0	Consumer Discretionary	Baa2/BBB/-	Baa2/BBB/-
2020/1/7	Logan Property Holdings Co Ltd	USD	300	5.75	2025/1/14	5.0	Real Estate	Ba3/BB/BB	-/-/BB
2020/1/7	Sunac China Holdings Ltd	USD	540	6.5	2025/1/10	5.0	Real Estate	Ba3/BB-/BB	B1/B+/BB

2020/1/7	Zhenro Properties Group Ltd	USD	290	7.875	2024/4/14	4.2	Real Estate	B1/B/B+	B2/-/B+e
2020/1/8	China Fortune Land Development Co Ltd	USD	500	6.9	2023/1/13	3.0	Real Estate	Ba3/-/BB-	Ba3/-/-
2020/1/8	China Fortune Land Development Co Ltd	USD	700	8.05	2025/1/13	5.0	Real Estate	Ba3/-/BB-	Ba3/-/-
2020/1/8	Kaisa Group Holdings Ltd	USD	500	10.5	2025/1/15	5.0	Real Estate	B1/B/B	B2/-/B
2020/1/8	Shengzhou Investment Holding Co Ltd	USD	100	6	2023/1/15	3.0	Chengtou	-/-/-	-/-/-
2020/1/8	Sino-Ocean Group Holding Ltd	USD	400	4.75	2030/1/14	10.0	Real Estate	Baa3/-/BBB-	Baa3/-/BBB-e
2020/1/8	Weigao Holding Co Ltd	USD	150	2	2025/1/16	5.0	Health Care	-/-/-	-/-/-
2020/1/8	Yango Group Co Ltd	USD	300	9.25	2023/4/15	3.2	Real Estate	B2/B/B+	-/-/Be
2020/1/9	Bank of China Ltd/Hong Kong	USD	1,000	3ML+58	2022/1/16	2.0	Banks	A1/A/A	A1/A/A
2020/1/9	Bank of China Ltd/Hong Kong	USD	600	2.375	2025/1/16	5.0	Banks	A1/A/A	A1/A/A
2020/1/9	Bank of China Ltd/Luxembourg	EUR	800	0.125	2023/1/16	3.0	Banks	A1/A/A	A1/-/A
2020/1/9	Central China Real Estate Ltd	USD	200	7.25	2024/7/16	4.5	Real Estate	Ba3/B+/BB-	B1/-/BB-
2020/1/9	Radiance Group Co Ltd	USD	300	10.5	2022/1/16	2.0	Real Estate	-/B/B	-/-/Be
2020/1/9	Shangrao Investment Holding Group Co Ltd	USD	500	4.3	2023/1/16	3.0	Chengtou	-/-/BBB-	-/-/BBB-e
2020/1/9	Zhengzhou Urban Construction Investment Group Co Ltd	USD	200	3.8	2025/1/16	5.0	Chengtou	-/-/BBB+	-/-/BBB+
2020/1/10	Luckin Coffee Inc	USD	400	0.75	2025/1/15	5.0	Consumer Staples	-/-/-	-/-/-

Sources: Bloomberg, CCX research

From January 7 to January 8, China SCE Group Holdings Ltd and Zhengzhou Zhongrui Industrial Group Co Ltd announced tap bond offering.

Table 2 : Tap bond offering (20200106-20200110)

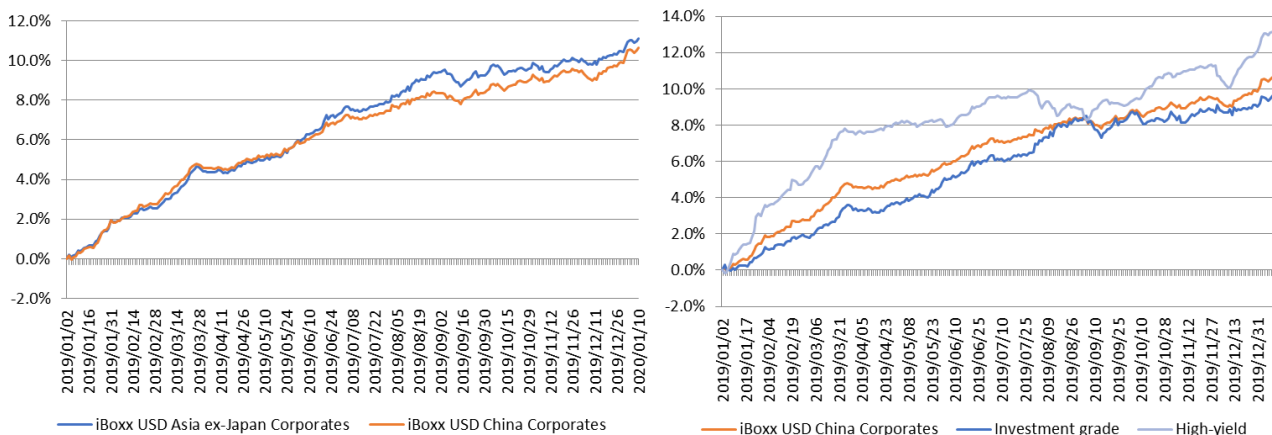
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2020/1/7	China SCE Group Holdings Ltd	USD	500 (reoffered 150)	7.375	2024/4/9	5	Real Estate	B1/B+/-	B2/B/-
2020/1/8	Zhengzhou Zhongrui Industrial Group Co Ltd	USD	100 (reoffered 30)	12	2022/1/2	2	Real Estate	B3/-/-	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Return on investment grade bonds and high-yield bonds rose

As of January 10, 2020, the YTD return on Chinese USD corporate bond index since 2019 rose by 14bp over last week to 10.64%, of which investment grade bond index was 9.62% and high-yield bond index was 13.14%, increasing by 5bp and 33bp over last week, respectively.

Figure 6 : YTD return on Chinese USD bond index



Sources: Bloomberg, CCX research

On January 8, Lianhe Credit Rating Agency removed the ratings of Seazen Holdings Co Ltd from Rating Watch Negative. From January 9 to January 10, Fitch places Sinofert Holdings Limited and Century Sunshine Group Holdings Ltd on Rating Watch Negative.

Table 3 : Credit rating changes of cross-border bond market (20200106-20200110)

	Entity	Sector	Entity Rating	Latest Rating		Last Rating			Rating Agency	Reason of Change
				Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Downgrade	Sinofert Holdings Limited	Materials	A-	Rating Watch Negative	2020/1/9	A-	STABLE	2019/8/14	Fitch	Potential change in Sinofert's ultimate parent
	Century Sunshine Group Holdings Ltd	Materials	B	Rating Watch Negative	2020/1/10	B	STABLE	2019/1/15	Fitch	Increasing pressure on the company's liquidity position
Domestic Rating:										
Upgrade	Seazen Holdings Co Ltd	Real Estate	AAA	STABLE	2020/1/8	AAA	Rating Watch	2019/7/12	Lianhe Credit Rating	Abatement of negative effects of controller's detention

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: Yuexiu Transport and Daimler International issued 2 panda bonds this week

On January 9, Daimler International Finance BV (“Daimler International”) issued 2020 Private Placement Note (Series I) through Bond Connect in China’s Interbank Market, at a coupon rate of 3.50%, with a tenor of 2 years, raising RMB3 billion. On January 10, Yuexiu Transport Infrastructure Limited (“Yuexiu Transport”) issued 2020 Medium Term Note (Series I) in China’s Interbank Market, at a coupon rate of 3.47%, with a tenor of 3 years, raising RMB1 billion. CCXI assigned AAA to both the bond and the issuer.

As of January 10, there were 2 issuers that issued 2 Panda Bonds in 2020, with a total issuance amount of RMB4 billion and an average coupon of 3.49%. These bonds were issued in the Interbank Market and with medium-to-long term tenor.

Table 4 : New issuance of Panda Bond in 2020 (20200101-20200110)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Yuexiu Transport Infrastructure Limited	10	3.47	2020/1/10	2023/1/10	3	MTN	China Interbank Market	China Chengxin
Daimler International Finance BV	30	3.50	2020/1/9	2022/1/9	2	PPN	China Interbank Market	--

Sources: Bloomberg, CCX research

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